

## **EXHIBIT C**

## EXPERT REPORT OF STEPHEN SADOWSKI

### *Background and Relevant Experience*

1. I am a Principal at ECG Management Consultants (“ECG”) in Boston. ECG is a national firm that provides strategic, management and information technology-related consulting services to healthcare providers, particularly in the academic medical center environment. I specialize in assisting academic medical center clients to enhance their financial, operational and programmatic performance by, among other things, designing appropriate compensation programs for physicians.

2. I joined ECG in 1991. Prior to that, I spent three years as a medical group administrator for a surgical department at Tufts-New England Medical Center and several years in operations roles with health maintenance organizations. I earned a dual business and health care administration MBA from Boston University in 1988 and a B.A. from Clark University in 1982.

3. As a consultant at ECG, I have worked with academic medical centers and their affiliated medical schools and physician practice groups throughout the country, including those affiliated with Brown University School of Medicine, Cornell University School of Medicine, Columbia University School of Medicine, Duke University School of Medicine, Tufts University School of Medicine, and the University of Massachusetts Medical School. A more detailed client list is attached as Exhibit A.

4. My testimony is based on my knowledge, training and experience as a healthcare management consultant and as a physician practice administrator.

5. My testimony also is based on my review of the following documents:

(a) Brigham Surgical Group Foundation, Inc. (“BSG”) Professional Staff Compensation Policy; and

(b) BSG's Unfunded Deferred Compensation Plan ("UDC") and Faculty Retirement Benefit Plan ("FRBP").

*Anticipated Testimony*

Physician Compensation at Academic Medical Centers Generally

6. Academic medical centers and their affiliated physician groups generally seek to design and maintain physician compensation programs that provide appropriate incentives for clinical care, on the one hand, and teaching and research, on the other. This is because academic medical centers are almost always non-profit organizations with teaching and research as their principal charitable missions. Further, they are dependent upon the physicians who practice there to carry out these charitable missions and to generate revenue through clinical productivity to support them.

7. Thus, academic medical centers typically institute physician compensation programs that encourage physicians both to generate clinical revenue by seeing patients and performing procedures, while also encouraging them to spend time conducting research, publishing articles and teaching medical students, residents and fellows.

8. Physician compensation programs also should enable academic medical centers to recruit and retain a roster of talented physicians who further their charitable missions. This is because academic medical centers compete fiercely to attract and retain talented physicians.

Non-qualified Deferred Compensation Plans as a Component of Physician Compensation Programs

9. Non-qualified retirement or deferred compensation plans have been attractive to highly compensated employees in general because IRS anti-discrimination rules and annual contribution limits restrict how much money they can contribute to traditional qualified retirement plans, such as 401(k) or 403(b) plans. Indeed, a very high percentage of employers in non-healthcare industries have provided non-qualified retirement plans for their most highly compensated employees. In the same vein, a principal reason academic medical centers and physician practice groups might

implement non-qualified deferred compensation plans is to provide highly compensated physicians with a means to supplement their retirement funds and to maximize after-tax compensation.

10. In designing physician compensation programs, non-qualified deferred compensation plans can be an effective element in compensating physicians at academic medical centers, for two reasons:

(a) First, highly-paid academic medical center physicians often can benefit from a supplemental means of funding their retirement, both because they are significantly limited in the percentage of their income and the amount of money they can contribute to qualified retirement plans, and because they have limited means for otherwise accumulating wealth from their professional work. As such, deferred compensation plans can enhance a medical center's means for recruiting physicians;

(b) Second, non-qualified deferred compensation plans, such as top hat plans, can help to motivate and retain highly profitable physicians by aligning their economic interests with the group's long-term financial success. Being subject to risk of forfeiture, unfunded deferred compensation plans not only encourage participating physicians to remain productive, they also discourage them from leaving the group before retirement.

Dated: May 24, 2006

  
Stephen Sadowski

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